

## Message Text

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12

ACTION TRSE-00

INFO OCT-01 NEA-06 ISO-00 PM-03 NSC-05 SP-02 SS-15 RSC-01

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R 100725Z NOV 74

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 1438

INFO AMEMBASSY CAIRO

AMEMBASSY JIDDA

C O N F I D E N T I A L KUWAIT 4794

DEPT PASS TREASURY FOR PARSKY

EO 11652: GDS

TAGS: EAID EFIN EINV KU EG US

SUBJ: ASSISTANT SECRETARY PARSKY VISIT TO KUWAIT

1. TREASURY ASSISTANT SECRETARY PARSKY VISITED KUWAIT NOV 6 AND 7 DURING WHICH TIME HE DISCUSSED KUWAITI ATTITUDES TOWARD INVESTMENT IN EGYPT AND THE US WITH KFAED DIRECTOR ABDULATIF AL-HAMAD, DIRECTOR OF INVESTMENTS ABU SU'JD AND SEVERAL OTHER OFFICIALS AND BUSINESSMEN.

2. REGARDING EGYPT PARSKY WAS MET WITH UNANIMOUS VIEW THAT DIFFICULT-TO-PENETRATE EGYPTIAN BUREAUCRACY WAS SINGLE WORST IMPEDIMENT TO KUWAITI INVESTMENT. IN GENERAL KUWAITIS AGREED THAT EGYPT HELD CONSIDERABLE PROMISE. KUWAITIS QUITE INTERESTED IN INVESTING THERE. BOTH AL-HAMAD AND ABU SU'UD SAID THAT FUNDS ARE AVAILABLE AND COULD BE DISBURSED QUICKLY IF ONLY EGYPTIANS THEMSELVES COULD GET OFF MARK AND ACT ON VARIOUS PROPOSALS.

3. PRIVATE BUSINESSMEN WERE MORE SKEPTICAL THAN GOK OFFICIALS REGARDING NEAR TERM PROSPECTS IN EGYPT. SOME APPARENTLY HAVE BEEN STYMIED BY EGYPTIAN PROCEDURES, AND THEY NOTED THAT

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PROMISED EGYPTIAN LEGAL CHANGES HAVE YET TO BE EFFECTED.

IN SUM, KUWAITIS REMAIN INTERESTED IN EGYPT BUT FRUSTRATED AS WELL. CONSENSUS IS THAT ONLY EGYPTIANS THEMSELVES CAN TAKE NECESSARY STEPS TO ATTRACT INVESTMENT, ESPECIALLY FROM PRIVATE SECTOR.

4. REGARDING US ROLE IN EGYPT, KUWAITIS WERE GENERALLY POSITIVE. THEY REGARD US ROLE NOT ONLY AS WELCOME BUT ALSO AS CRUCIAL. AL-HAMAD STRESSED, HOWEVER, THAT USG MUST BE PREPARED TO MAKE DIFFICULT DECISION TO REMAIN IN EGYPT FOR LONG HAUL COME WHAT MAY. ONLY IF USG PREPARED TO FOLLOW THROUGH ON INITIAL PROMISES DESPITE OCCASIONAL PERIODS OF POLITICAL STRAIN, HE SAID, WAS IT WORTH EVEN GETTING STARTED. HIS POINT WAS THAT US INVOLVEMENT INEVITABLY WILL RAISE HOPES AND IF US WERE TO PULL OUT OR SIGNIFICANTLY REDUCE ASSISTANCE TO EGYPT BECAUSE OF TEMPORARY POLITICAL PROBLEMS THAT MAY OCCUR, RESULTANT DISAPPOINTMENT IN EGYPT AND ELSEWHERE WOULD BE SO GREAT THAT US POSITION, ON BALANCE, WOULD BE WORSE THAN IF US NEVER ENTERED EGYPT IN SIGNIFICANT WAY.

5. COMMENT: KUWAITIS CAN BE EXPECTED TO CHIDE HEGAZI AND TAHER AMIN ABOUT PROBLEMS NOTED ABOVE WHEN THEY VISIT LATER THIS MONTH, BUT WE DOUBT GOK LEADERS WILL BE AS FORTHRIGHT WITH EGYPTIANS AS THEY WERE WITH US. IN FACT, WE THINK ONE REASON KUWAITIS WOULD WELCOME COOPERATING WITH US IN EGYPT IS THAT WE CAN PROD EGYPTIANS IN A WAY THAT WOULD BENEFIT KUWAITIS IN A MANNER THAT WOULD BE POLITICALLY IMPOSSIBLE FOR KUWAITIS THEMSELVES. END COMMENT.

6. PARSKY ASKED ABU SU'UD ABOUT GOK ATTITUDES TOWARD INVESTING IN US AND WAS TOLD GOK INTENDS PLACE GREATER PROPORTION OF ITS INVESTMENTS IN US BECAUSE IT IS MORE ATTRACTIVE THAN EUROPE. ABU SU'UD NOTED CERTAIN IMPEDIMENTS HOWEVER. HE CITED WITHHOLDING TAX REQUIREMENTS AND SAID TAX AGREEMENTS HAVE BEEN REACHED WITH UK AND ARE UNDER DISCUSSION WITH FRANCE. HE ALSO SAID THAT KUWAITI INVESTORS SIMPLY DO NOT KNOW WHAT US POLICY IS TOWARD FOREIGN INVESTMENT AND, IN PARTICULAR, WHETHER ARAB INVESTMENT IS WELCOME. SPECIFICALLY HE SAID GOK WAS PREPARED TO LEND \$100 MILLION TO LOCKHEED (\$50 MILLION IN STRAIGHT LOANS AND \$50 MILLION IN CONVERTIBLE DEBENTURES) BUT THAT USG HAD QUASHED DEAL. FYI - THIS WAS FIRST ANY OF US CONFIDENTIAL

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INCLUDING PARSKY HAD HEARD OF THIS, AND I WOULD APPRECIATE DEPARTMENT COMMENT. END FYI. ABU SU'UD SAID GOK HAD NO INTEREST IN TAKING OVER MAJOR COMPANIES, AND HE NOTED GOK NEVER EXERCISES ITS VOTING RIGHTS AS SHAREHOLDER. PARSKY TOLD KUWAITIS HE EXPECTS FOREIGN INVESTMENT IN US TO BE IMPORTANT MATTER OF DEBATE IN CONGRESS OVER NEXT YEAR. STOLTZFUS

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